

**FINAL EXAMINATION**  
**Syllabus 2016**

**Paper 16: DIRECT TAX LAWS AND INTERNATIONAL TAXATION (DTI)**

**Time Allowed: 3 Hours**

**Full Marks: 100**

**There are Sections A, B, C and D to be answered subject to instructions given against each.**

Section A				20 Marks
1.	<b>You are required to answer all the questions. Each question carries 1 mark.</b> <b>Instructions: Each question is followed by 4 Answer choices and only one is correct. You are required to select the choice which according to you represents the correct answer.</b>			20 X 1 = 20
	a.	K Industries is engaged in manufacture of leather products. It was set up in backward area and became eligible for subsidy @25% for the generator acquired by it for Rs. 12 lakhs on 15.12.2021. It received the subsidy in March 2022. What would be the amount of depreciation for the year at the applicable rate?		
		(i)	Rs. 90,000	
		(ii)	Rs. 67,500	A
		(iii)	Rs. 1,80,000	
		(iv)	Nil	
	b.	BG Private Ltd. received royalty Rs. 10 lakhs in respect of a patent developed and registered in India. What would be the applicable rate of income-tax payable on such royalty?		
		(i)	10%	A
		(ii)	15%	
		(iii)	20%	
		(iv)	30%	
	c.	In the case of assessee who is covered under section 44AD the amount of tax payable by way of advance tax shall be paid on or before which date?		
		(i)	15 <sup>th</sup> day of March	A
		(ii)	31 <sup>st</sup> day of March	
		(iii)	31 <sup>st</sup> day of December	
		(iv)	the day of filing return of income	
	d.	In the case of non-government employee what is the monetary limit for exemption in respect of leave salary at the time of retirement?		
		(i)	Rs. 50,000	
		(ii)	Rs. 1.50 lakhs	
		(iii)	Rs. 3 lakhs	A
		(iv)	Rs. 5 lakhs	

e.	What is the holding period in months for a capital asset being shares in a private company to be a long term capital asset?		
(i)	6		
(ii)	12		
(iii)	24	A	
(iv)	36		
f.	When wife L being legal heir of U received Rs. 10 lakhs from National Pension System Trust referred to in Section 80CCD, what will be the amount of receipt chargeable to tax?		
(i)	Rs. 4 lakhs		
(ii)	Rs. 7.5 lakhs		
(iii)	Rs. 10 lakhs		
(iv)	Nil	A	
g.	When Mr. A doing business has gross total income of Rs. 9 lakhs, what is the maximum amount he can claim deduction in respect of the pension scheme of the Central Government under section 80CCD?		
(i)	Rs. 50,000 (Monetary Limit) [Subject to maximum limit]		
(ii)	Rs. 90,000 (10% of Gross Total Income) [Subject to maximum limit]		
(iii)	Rs. 1,00,000 (monetary limit)		
(iv)	Rs. 1,80,000 (20% of Gross Total Income) [Subject to maximum limit]	A	
h.	Secondary adjustment has to be made when the primary adjustment exceeds _____.		
(i)	Rs. 50 lakhs		
(ii)	Rs. 100 lakhs	A	
(iii)	Rs. 300 lakhs		
(iv)	Rs. 500 lakhs		
i.	When Mr. G doing business paid hall rent of Rs. 80,000 for 3 days for doing Diwali sale, the amount of tax deductible at source under section 194-IB would be _____.		
(i)	Rs. 8,000		
(ii)	Rs. 4,000	A	
(iii)	Rs. 16,000		
(iv)	NIL		
j.	Y & Co. is a partnership firm which was dissolved on 31.03.2021. The return of income of the firm for the assessment year 2021-22 was filed on 31.08.2021. The return of income of the firm was selected for scrutiny assessment u/s 143(3). The notice for scrutiny assessment u/s 143(2) has to served on _____.		
(i)	all the partners		
(ii)	any working partner		
(iii)	any partner having long association		
(iv)	any partner	A	

## Mock Test Paper with Model Answers for June 2022 Online Examination – Final/P16-DTI/S1

	k.	S Fertilizers Private Ltd., is a manufacturer. A factory building was constructed for Rs. 40 lakhs and occupied on 12.02.2022. How much is the amount of Additional depreciation allowable for the said factory building?	
	(i)	Rs. 4,00,000	
	(ii)	Rs. 2,00,000	
	(iii)	Rs. 3,00,000	
	(iv)	NIL	A
	l.	During the assessment of Mr. A, the Assessing Officer has observed that he has purchased diamonds for Rs. 18 lakhs on 1st October, 2021 which was not recorded in the books of account and he is unable to offer any explanation. What would the Applicable rate of income tax leviable under section 115BBE other than surcharge and education cess as applicable.	
	(i)	20%	
	(ii)	30%	
	(iii)	40%	
	(iv)	60%	A
	m.	A person did not opt for Presumptive Taxation Scheme for AY 2022-23. In this case, he will not be eligible to claim benefit of presumptive taxation scheme for next how many AYs?	
	(i)	One	
	(ii)	Three	
	(iii)	Five	A
	(iv)	Seven	
	n.	When an Indian company pays Rs.5 lakhs to a foreign company for online advertisement of its products, it has to deduct _____.	
	(i)	tax at source @ 2%	
	(ii)	tax at source @ 10%	
	(iii)	equalization levy @ 6%	A
	(iv)	equalization levy @ 8%	
	o.	Mr. A acquired a house property on 12.3.1990 for Rs. 5 lakhs. He gifted the same to Mr. B, his brother on 16.5.1993, who gifted it to Mr. S, his son on 22.7.2020, when the stamp valuation was Rs.12 lakhs. Mr. S sold the house on 14.5.2021 for Rs. 24 lakhs, which was also the stamp duty value. For computing capital gain, what shall be the date of acquisition?	
	(i)	1 <sup>st</sup> April, 1981	
	(ii)	12 <sup>th</sup> March, 1990	A
	(iii)	16 <sup>th</sup> May, 1993	
	(iv)	22 <sup>nd</sup> July, 2020	
	p.	Safe Harbour Rules are relevant in the context of _____.	
	(i)	Maritime Law (Maintenance of sea harbours in a safe manner).	

## Mock Test Paper with Model Answers for June 2022 Online Examination – Final/P16-DTI/S1

	(ii)	Customs Act, 1962		
	(iii)	Transfer pricing	A	
	(iv)	Excise Duty		
q.	When interest paid by an Indian company to a foreign company being an associated enterprise, such interest must not exceed _____% of the Indian company's earnings before interest, taxes, depreciation and amortization (EBITDA).			
	(i)	10		
	(ii)	20		
	(iii)	30	A	
	(iv)	40		
r.	Following is considered as final fact finding authority in assessment procedure:			
	(i)	Assessing Officer		
	(ii)	Commissioner of Income Tax (Appeals)		
	(iii)	Income Tax Appellate Tribunal (ITAT)	A	
	(iv)	Advance Ruling Authority		
s.	<p>A company engaged in the business of bio-technology incurs:</p> <p>(i) expenditure on scientific research towards land Rs. 20 lakhs;</p> <p>(ii) (ii) other capital expenditures Rs. 10 lakhs and</p> <p>(iii) (iii) revenue expenditure of Rs. 8 lakhs.</p> <p>The quantum of deduction under section 35 shall be _____ .</p> <p>What is the appropriate word/words which can be used to fill in the blank as above?</p>			
	(i)	Rs. 10 lakhs (50% of expenditure on scientific research towards land and building)		
	(ii)	Rs. 16 lakhs (200% of revenue expenditure)		
	(iii)	Rs. 18 lakhs (100% of total expenditure other than cost of land)	A	
	(iv)	Rs. 38 lakhs (100% of capital expenditure including cost of land and building)		
t.	What is the quantum of penalty for failure to maintain books of account?			
	(i)	Rs. 25,000	A	
	(ii)	½% of the turnover		
	(iii)	Lower of ½% of the turnover or Rs. 1,50,000		
	(iv)	None of the above		
<b>Section B</b>				<b>20</b>
				<b>Marks</b>
2.	<p><b>You are required to answer all the questions. Each question carries 2 marks.</b></p> <p><b>Instructions: Each question is followed by a space where you are required to type your answer.</b></p>			<b>10 X 2 = 20</b>
a.	Mr. S is employed in G Ltd. He opted for transfer of funds from superannuation fund to National Pension Systems Trust referred to in section 80CCD and accordingly Rs. 5 lakhs was transferred			

		from approved superannuation fund to an account held with National Pension Systems Trust. His salary income (excluding the said transfer) amounts to Rs. 9,40,000 (computed). What would be his total income after considering the transfer?	
		<b>Type your answer here</b> <a href="#">Rs. 9,40,000</a>	
	b.	P Softwares Ltd. is engaged in BPO at Bengaluru. It acquired computers for Rs. 20 lakhs on 10.05.2021. It also acquired computer softwares for Rs. 10 lakhs in July 2021. What will be amount of depreciation eligible u/s 32?	
		<b>Type your answer here</b> <a href="#">Rs. 12,00,000</a>	
	c.	H Pvt. Ltd., has spent a sum of Rs. 10 lakhs towards meeting its corporate social responsibility (CSR) under the Companies Act, 2013. Please specify the amount of deduction available while computing the business income	
		<b>Type your answer here</b> <a href="#">NIL</a>	
	d.	MR. R, a Cost Accountant has raised a fees bill on LMN P Ltd., for Rs. 3,00,000 and in addition, has charged separately IGST of 18% i.e. Rs.54,000, the total amount of the bill being Rs. 3,54,000. What would be the amount of tax to be deducted at source by LMN P Ltd?	
		<b>Type your answer here</b> <a href="#">Rs. 30,000</a>	
	e.	Ms. P resigned from employment in Z University after serving for 4 years and 8 months. She received Rs. 1,40,000 from recognized provident fund. What would be the amount of tax deductible at source ?	
		<b>Type your answer here</b> <a href="#">Rs.14000</a>	
	f.	Mr. M employed in a company constructed a residential house property for self- occupation by availing bank loan of Rs. 50 lakhs. Interest on the loan for the year amounts to Rs. 2, 60, 000. He paid Rs. 1,70, 000 up to 31.03.2022. What would be the amount of interest eligible for deduction in the hands of Mr. M ?	
		<b>Type your answer here</b> <a href="#">Rs. 2,00,000</a>	
	g.	ABC & Co. Ltd. earned Rs. 15 lakhs by way of transfer of carbon credit. What would be tax liability in respect of carbon credit (including cess)?	
		<b>Type your answer here</b> <a href="#">Rs. 1,56,000</a>	
	h.	In December, 2021 E Ltd. and Ex. Ltd. got amalgamated to form Exc. Ltd. The expenditure for the purpose of amalgamation was Rs. 10 lakhs. What would be the amount of amalgamation expenditure deductible for the assessment year 2022-23 ?	
		<b>Type your answer here</b> <a href="#">Rs. 2,00,000</a>	
	i.	M/s. KLM Ltd. a company having international transactions of Rs. 7 crores related to purchase of raw materials from its subsidiary company, M/s. BL Inc., in USA. M/s. KLM Ltd. is required to keep and maintain certain information and documents under section 92D for certain period. Please state such period.	

		Type your answer here <a href="#">Eight years</a>	
	j.	A Ltd., Mumbai has 27% shareholding in Beta Pvt. Inc. of Singapore. A Ltd. received Rs. 15 lakhs (converted in Indian rupee) by way of dividend in October, 2021. What will be the rate of tax on such dividend received in the hands of A Ltd.?	
		Type your answer here <a href="#">15%</a>	
<b>Section C</b>			<b>48</b>
<b>You are required to answer any 4 out of 6 questions in this section</b>			<b>12 X 4 =</b>
<b>Instructions: Each question is followed by a space where you are required to type your answer.</b>			<b>48</b>
3.	a.	<p>B Airlines Ltd. paid Rs. 10 lakhs to Airport Authority of India towards landing and parking charges. The payment was towards use of land in the airport besides technical services involving navigation, security and other ancillary services. The tax was deducted at source under section 194C at 2%. The Assessing Officer held that the assessee ought to have deducted tax under section 194-I i.e. towards rent.</p> <p>Discuss the consequence of the action of the Assessing Officer and also the correctness of such decision.</p>	5
		<p><b>Type your answer here</b></p> <p>The assessee has deducted tax at source under section 194C at 2% and the Assessing Officer holds that the tax ought to have been deducted under section 194-I @ 10%. The obvious consequence of the action would be disallowance at 30% of expenditure by invoking section 40(a)(ia) of the Act. In this case, the assessee has not paid the amount merely for use of land. The payment is also towards other services such as use of airport land for landing, the technical services involving navigation, security and other ancillary services.</p> <p>As the payment was not for use of land, the provisions of section 194-I are not attracted. Hence, the claim of AO is not correct.</p>	
	b.	<p>V &amp; Co. a partnership firm was constituted on 01.06.2016 with four partneRs. All the partners contributed Rs. 10 lakhs each by way of capital. While examining the return of the Assessment Year 2020-21, the Assessing Officer verified the source of investments made by the partneRs. Not satisfied with the explanation of the partners/firm, the Assessing Officer assessed to tax Rs. 25 lakhs as unexplained cash credit under section 68 of the Act in the hands of the firm.</p> <p>Decide the validity of the action of the Assessing Officer.</p>	5
		<p><b>Type your answer here</b></p> <p>When there is a credit in the books of the firm and if the source for such credit is not explained, the Assessing Officer may assess the same as deemed income of the assessee of the year of such credit by invoking section 68.</p> <p>In the case of a firm, the onus of the firm is discharged when the amounts credited in the books of account is attributed to the partners who paid the amount to the firm.</p> <p>The Assessing Officer may well verify the capacity of the partners who contributed the amounts as capital and he cannot saddle the firm with addition under section 68.</p> <p>When the firm was constituted on 01.06.2016 with a capital contribution of Rs. 40 lakhs by the</p>	

		partners, it could not be assessed to tax in its hands since it has come to existence only on that date and it could not have earned such income on that date. Thus, the action of the Assessing Officer is not tenable in law. Case law reference: CIT v. M. Venkateswara Rao (2015) 370 ITR 212 (T & AP).																																																			
	c.	Discuss the type of assessment to be conducted when there is ambiguity regarding the person in whose hands income is chargeable to tax.	2																																																		
		<b>Type your answer here</b> When there is an ambiguity or doubt as regards a person in whose hands the income is chargeable to tax, the Revenue would make assessment on both the persons. This is made as a matter of caution to protect the interest of the Revenue. After the clearance of ambiguity, one assessment would get cancelled. It is not defined in the Act but it is in vogue. There is no time limit specifically provided for completing or cancelling the protective assessment. When the regular assessment of any other assessment is made by way of protective assessment, the time limit contained therein will apply. Protective assessment can be made, but penalty cannot be levied on protective basis.																																																			
3.	a.	<p>K &amp; Co. (Firm) had sold all its assets and liabilities on 31.03.2022 to ABC Co. (P) Ltd. for a lump sum consideration of Rs. 500 lakhs.</p> <p>The Balance Sheet of K &amp; Co. as on 31.03.2022 is as below:</p> <table><tr><th>Liabilities</th><th>Rs. in lakhs</th><th>Assets</th><th>Rs. in lakhs</th><th>Rs. in lakhs</th></tr><tr><td>Capital</td><td>1,500</td><td>Fixed Assets:</td><td></td><td></td></tr><tr><td>Unsecured loans</td><td>100</td><td>Plant &amp; Machinery (at WDV)</td><td>300</td><td></td></tr><tr><td>Bank borrowing</td><td>700</td><td>Land (at revalued figure)</td><td>1,200</td><td>1,500</td></tr><tr><td>Sundry Creditors</td><td>200</td><td>Current Assets:</td><td></td><td></td></tr><tr><td></td><td></td><td>Sundry Debtors</td><td>500</td><td></td></tr><tr><td></td><td></td><td>Cash &amp; Bank balance</td><td>50</td><td></td></tr><tr><td></td><td></td><td>Loans &amp; Advances</td><td>340</td><td></td></tr><tr><td></td><td></td><td>Closing stock</td><td>110</td><td>1,000</td></tr><tr><td></td><td>2,500</td><td></td><td></td><td>2,500</td></tr></table> <p>Additional Information:</p> <p>(1) The land was acquired in March, 2009 for Rs. 200 lakhs.</p> <p>(2) WDV of Plant &amp; Machinery under section 43(6) was Rs. 250 lakhs.</p> <p>(3) Cost inflation index for the financial year 2008-09 was 137 and for 2021-22 is 317.</p> <p>(4) Stock is overvalued by 10%.</p> <p>(5) Loans and advances include Rs. 150 lakhs due from ABC Co. (P) Ltd.</p> <p>You are required to state:</p> <p>a) Nature of capital gains</p> <p>b) Cost of acquisition for the purpose of computing capital gains</p> <p>c) Amount of Capital Gains and tax liability of K &amp; Co. assuming there is no other income of the firm.</p>	Liabilities	Rs. in lakhs	Assets	Rs. in lakhs	Rs. in lakhs	Capital	1,500	Fixed Assets:			Unsecured loans	100	Plant & Machinery (at WDV)	300		Bank borrowing	700	Land (at revalued figure)	1,200	1,500	Sundry Creditors	200	Current Assets:					Sundry Debtors	500				Cash & Bank balance	50				Loans & Advances	340				Closing stock	110	1,000		2,500			2,500	2+3+3
Liabilities	Rs. in lakhs	Assets	Rs. in lakhs	Rs. in lakhs																																																	
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	2,500			2,500																																																	
		<b>Type your answer here</b> a) Long Term Capital Gain																																																			

- b) Cost of acquisition for the purpose of computing capital gains=Rs. 440 lakhs  
c) Capital Gain:Rs. 60 lakhs and tax liability= Rs.124800

**ROUGH WORK**

Computation of Capital Gain from Slump Sale and tax on such Gain

Particulars	Rs. In lakhs
Slump Sale Consideration	500
Less: Cost of Acquisition	440
Long-term Capital Gain	60
Income Tax	12
Add: Surcharge	Nil
Add: Education Cess	0.48
Total Tax Liability	12.48

Computation of Net Worth of the K & Co. (Firm)

Particulars	Rs.	Rs.
<b>Assets:</b>		
WDV of block of assets: Plant & Machinery		250
Book Value of Non-depreciable Assets:		
Land	200	
Sundry Debtors	500	
Bank & Cash balance	50	
Loans & Advances	340	
Closing Stock	100	
		1190
		1440
<b>Liabilities:</b>		
Unsecured loans	100	
Bank borrowing	700	
Sundry Creditors	200	
		1000
<b>Net Worth</b>		<b>440</b>

- b. K Logistics Pvt. Ltd., borrowed a sum of Rs. 50 lakhs from a bank for business purposes. For the sanction of the bank loan, two directors gave guarantee to the bank. The assessee paid guarantee commission of Rs. 80,000 to the two directors in this regard and claimed the same as business expenditure. The AO has disallowed the same. Is this correct?  
In the light of decided case laws, answer the above question identifying (i) Issue involved, (ii) Brief discussion on provisions applicable to the issue, (iii) Analysis of the issue involved [Citation of the case law is NOT required]

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		<p><b>Type your answer here</b></p> <p>Issue involved:</p> <p>The issue under consideration in this case is whether guarantee commission paid by a company to its employee directors is deductible as its business expenditure, where such guarantee was given by the employee directors to the bank for enabling credit facility to the company</p> <p>Provisions involved:</p> <p>In the absence of any specific disallowance, an expenditure incurred wholly and exclusively for the purpose of business has to be allowed under section 37.</p> <p>Analysis:</p> <p>The directors of the company are employees of the company and are entitled to remuneration for the services rendered as employees. In this case, they also provided personal guarantee to banks, since it was a pre-condition laid down by the bank to provide financial assistance to the company. This act of providing personal guarantee was clearly beyond the scope of their services as employees of the company.</p> <p>The assessee-company, in its commercial wisdom, passed a resolution resolving that the directors be paid commission for providing their personal guarantees for the financial assistance availed by the assessee-company from the bank. In such a case, the Assessing Officer only has to determine whether the transactions are real and genuine.</p> <p>Reference may be made to Controls &amp; Switchgear Contractors Ltd v. Dy. CIT (2014) 365 ITR 312.</p>	
5.	a.	<p>M &amp; H LLP is engaged in multiple business activities. The following information is furnished for the year ended 31.03.2022:</p> <ul style="list-style-type: none"> <li>(i) Net profit as per Profit and Loss Account Rs. 52 lakhs.</li> <li>(ii) Working partner salary debited to Profit and Loss Account is Rs. 40,20,000 as authorized by the LLP agreement.</li> <li>(iii) Interest on capital paid to partners @ 15% is Rs. 15,75,000. This is authorized by the LLP agreement.</li> <li>(iv) Depreciation debited to Profit and Loss Account is Rs. 8,10,000.</li> <li>(v) Eligible depreciation under section 32 is Rs. 10,35,000.</li> <li>(vi) The Net Profit includes profit from undertaking located in SEZ (4th year) Rs. 20 lakhs. The total turnover is Rs. 200 lakhs and the export turnover is Rs. 150 lakhs.</li> <li>(vii) The unit has earned income from generation of power and the eligible deduction under section 80-IA amounts to Rs. 8 lakhs.</li> </ul> <p>You are required to compute</p> <ul style="list-style-type: none"> <li>a) the total income of the firm as per regular provision of the Act</li> <li>b) the adjusted income as per alternative minimum tax (AMT) u/s 115JC</li> <li>c) tax payable by the firm for the assessment year 2022-23.</li> </ul>	3+3+2
		<p><b>Type your answer here</b></p> <p>a) Rs. 29,90,000</p> <p>b) Rs. 52,90,000</p> <p>c) Rs. 10,17,800</p> <p><b>ROUGH WORK</b></p> <p style="text-align: center;">M &amp; H LLP</p>	

Computation of the Total Income for the Assessment Year 2022-23

Particulars	Rs.
Computation as per Normal Provisions	
Book Profit	93,10,000
Less: Deduction U/s.40(b)	40,20,000
Gross Total Income	52,90,000
Less: Deductions from Gross Total Income	23,00,000
Total Income	29,90,000
Tax on Total Income (A)	8,97,000
Computation of Adjusted Total Income U/s.115 JC	
Total income as per Normal Provisions	29,90,000
Add: Deductions	23,00,000
Adjusted Total Income	52,90,000
Tax thereon Adjusted Total Income (B)	9,78,650
Computation of Final Tax Liability	
Higher of (A) or (B)	9,78,650
Add: Education Cess	39,146
Total Tax Payable	10,17,796
Tax Payable after Rounding off u/s 288B	10,17,800

Computation of Book Profits

Particulars	Rs.	Rs.
Net Profit as per Profit and Loss Account		52,00,000
Add:		
Working partner salary debited to Profit and loss account	40,20,000	
Interest on capital in excess of 12% disallowed	3,15,000	
Depreciation debited to P&L account	8,10,000	
		1,03,45,000
Less:		
Eligible Depreciation under section 32		10,35,000
Book Profit		93,10,000

Computation of Deduction u/s 40(b)

Particulars	Rs.	Rs.
Book Profit		93,10,000
Less: Deduction U/s.40(b)		
On first Rs. 3 lakhs @ 90%	2,70,000	
On the balance Rs. 90,10,000 @ 60%	54,06,000	
		56,76,000

		<table><tr><td>Restricted to the amount authorized by LLP Agreement</td><td></td><td>40,20,000</td></tr></table>	Restricted to the amount authorized by LLP Agreement		40,20,000								
Restricted to the amount authorized by LLP Agreement		40,20,000											
		<table><tr><td colspan="2">Computation of Amount of Deduction from Gross Total Income</td></tr><tr><td>Particulars</td><td>Rs.</td></tr><tr><td>Deduction U/s. 10AA in respect of unit in SEZ: Rs. 20,00,000 X 150/100</td><td>15,00,000</td></tr><tr><td>Deduction U/s. 80-IA</td><td>8,00,000</td></tr><tr><td></td><td>23,00,000</td></tr></table>	Computation of Amount of Deduction from Gross Total Income		Particulars	Rs.	Deduction U/s. 10AA in respect of unit in SEZ: Rs. 20,00,000 X 150/100	15,00,000	Deduction U/s. 80-IA	8,00,000		23,00,000	
Computation of Amount of Deduction from Gross Total Income													
Particulars	Rs.												
Deduction U/s. 10AA in respect of unit in SEZ: Rs. 20,00,000 X 150/100	15,00,000												
Deduction U/s. 80-IA	8,00,000												
	23,00,000												
	b.	When is transaction treated as an international transaction as per Section 92B?	4										
		<p><b>Type your answer here</b></p> <p>As per section 92B, an international transaction is one which satisfies the following criteria -</p> <ol style="list-style-type: none"><li>1. A transaction between two or more associated enterprises, either or both of whom are non-residents;</li><li>2. It is in the nature of purchase, sale or lease of tangible or intangible property, or provision of services, lending/borrowing money or any other transaction having a bearing on the profits, income, losses or assets of such enterprises;</li><li>3. It includes a transaction in the nature of a mutual agreement, or arrangement between two or more associated enterprises for the allocation or apportionment of, or any contribution to, any cost or expense incurred (or to be incurred) in connection with a benefit, service or facility provided (to be provided) to any one or more of such enterprises.</li></ol>											
6.	a.	<p>R (P) Ltd. is a company where public are not substantially interested and is engaged in multiple business activities. It has brought forward business loss of Assessment Year 2016-17 of Rs. 15 lakhs and unabsorbed depreciation of Rs. 20 lakhs. The company has 10 shareholders each having 10% of the equity share capital of the company.</p> <p>Four shareholders transferred the shares to their relatives in October, 2021.</p> <p>One shareholder died in February, 2022 and yet another shareholder gifted his shares to his son in April, 2022.</p> <p>The company for the previous year 2021-22 earned Net Profit of Rs. 10 lakhs (computed) as per regular provisions before set off of brought forward loss and depreciation given above. Its book profit under section 115JB for the Assessment Year 2022-23 is Rs. 25 lakhs (computed).</p>											
	(i)	How much of accumulated loss and unabsorbed depreciation, the company could carry forward to the subsequent assessment year considering the change in shareholding pattern?	5										

		<p>Type your answer here</p> <p>Rs. Business Loss Rs. 5,00,000 and Unabsorbed Depreciation Rs. 20,00,000</p> <p>ROUGH WORK</p> <table><tr><th>Particulars</th><th>Rs.</th></tr><tr><td>Amount Available for Set-off in AY 2022-23</td><td>10,00,000</td></tr><tr><td></td><td></td></tr><tr><td>Brought Forward Business Loss of AY 2016-17</td><td>15,00,000</td></tr><tr><td>Amount to be set-off in AY 2022-23</td><td>10,00,000</td></tr><tr><td>Amount to be carried forward</td><td>5,00,000</td></tr><tr><td></td><td></td></tr><tr><td>Unabsorbed Depreciation</td><td>20,00,000</td></tr><tr><td>Amount to set-off in AY 2022-23</td><td>NIL</td></tr><tr><td>Amount to be carried forward</td><td>20,00,000</td></tr></table> <p>Working Notes:</p> <table><tr><th>Change in Shareholding Pattern</th><th>Period (AY)</th><th>% Change</th></tr><tr><td>Transfer of shares to relatives</td><td>2022-23</td><td>40</td></tr><tr><td>Death of shareholder</td><td>2022-23</td><td>10</td></tr><tr><td>Gift of shares</td><td>2023-24</td><td>10</td></tr></table> <p>Change in shareholding pattern during AY 2022-23: 50%</p> <p>Reason for set-off and carry forward: Business Loss can be carried forward up to 8 years and unabsorbed depreciation can be carried forward indefinitely.</p>	Particulars	Rs.	Amount Available for Set-off in AY 2022-23	10,00,000			Brought Forward Business Loss of AY 2016-17	15,00,000	Amount to be set-off in AY 2022-23	10,00,000	Amount to be carried forward	5,00,000			Unabsorbed Depreciation	20,00,000	Amount to set-off in AY 2022-23	NIL	Amount to be carried forward	20,00,000	Change in Shareholding Pattern	Period (AY)	% Change	Transfer of shares to relatives	2022-23	40	Death of shareholder	2022-23	10	Gift of shares	2023-24	10	
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	(ii)	In case a private company is converted to a LLP, what can be the possible impact on set-off and carry forward of accumulated loss and unabsorbed depreciation?	4																																
		<p>Type your answer here</p> <p>When a company is converted into LLP the unabsorbed depreciation and accumulated loss of the private company or unlisted public company shall be deemed to be the unabsorbed depreciation and loss respectively of the successor LLP. However, the company and the successor LLP have to satisfy the conditions of section 47(xiiib) in order to have tax neutral succession besides carry forward benefit.</p> <p>The accumulated loss is eligible for a fresh carry forward of 8 assessment years from the year of conversion. The unabsorbed depreciation can be carried forward for an indefinite period.</p> <p>The conditions laid out section 47 (xiiib) are to be complied by the successor LLP. If there is breach of condition the set off of loss and depreciation availed by successor LLP shall become chargeable to tax as income of the year in which the Conditions are not complied with.</p>																																	

	b.	I Telephones Ltd. paid Rs. 15 lakhs per annum to B Mobiles Ltd. for each of the mobile towers used by it. During the financial year 2021-22, India Telephones Ltd. paid Rs. 435 lakhs to Bharat Mobiles Ltd. It deducted tax at source under section 194C and whereas the Assessing Officer claimed that the assessee must have deducted tax at 10% under section 194-I. Decide the correctness of the action of assessee vis-a-vis the Assessing Officer with reference to existing case law.	3																																										
		<b>Type your answer here</b> <b>The facts of the case given are similar to that of Indus Towers Ltd v. CIT (2014) 364 ITR 114 (Del).</b> <b>The towers rented out was a passive infrastructure facility which enabled the parties to use technical and specialized equipment maintained by the assessee.</b> <b>The mobile towers are neutral platform without which the mobile operators could not operate.</b> <b>The renting of mobile tower cannot be called as renting of land.</b> <b>The arrangement was the use of machinery plant or equipment i.e. the passive infrastructure and it is incidental that it was necessary to house the equipment in some premises.</b> <b>The renting of machinery hence is liable for tax deduction under section 194-I(a) at the rate applicable for the payment made for use of plant and machinery. Thus, the Assessing Officer is correct.</b>																																											
7.	a.	S Textiles (P) Ltd., Surat earned a profit of Rs. 20 lakhs after debit/credit of the following items to its statement of profit and loss for the year ended 31.03.2022: <table><thead><tr><th colspan="2">Particulars</th><th>Rs.</th></tr></thead><tbody><tr><td colspan="3">Items debited to statement of profit and loss:</td></tr><tr><td>(i)</td><td>Provision for the loss of subsidiary</td><td>2,00,000</td></tr><tr><td>(ii)</td><td>Provision for Doubtful Debts</td><td>1,50,000</td></tr><tr><td>(iii)</td><td>Provision for Income-tax</td><td>3,00,000</td></tr><tr><td>(iv)</td><td>Provision for Gratuity (based on actuarial valuation Rs. 5 lakhs)</td><td>7,00,000</td></tr><tr><td>(v)</td><td>Depreciation (including Rs. 1,60,000 on account of revaluation of fixed assets)</td><td>5,60,000</td></tr><tr><td>(vi)</td><td>Interest to financial institution (unpaid till filing of return)</td><td>2,50,000</td></tr><tr><td>(vii)</td><td>Penalty for infraction of law</td><td>60,000</td></tr><tr><td colspan="3">Items credited to statement of profit and loss:</td></tr><tr><td>(i)</td><td>Royalty in respect of patent (chargeable to tax under section 115BBF)</td><td>6,00,000</td></tr><tr><td>(ii)</td><td>Share income as partner in a firm</td><td>1,20,000</td></tr><tr><td>(iii)</td><td>Agricultural income</td><td>75,000</td></tr><tr><td>(iv)</td><td>Long term capital gains on sale of vacant land</td><td>4,00,000</td></tr></tbody></table> <p>Other information:</p> <p>(i) Depreciation as per Income-tax Rules is Rs. 2, 80,000.</p> <p>(ii) Income tax liability on income computed as per regular provisions for the Assessment Year 2022-23 is Rs. 1, 22,070 excluding tax on royalty chargeable to tax under section 115BBF.</p> <p>You are required to compute:</p> <p>a. Book Profits under section 115JB of the Income-tax Act, 1961 for Assessment Year 2022-23;</p> <p>b. Tax on Book Profits under section 115JB of the Income-tax Act, 1961 for Assessment Year 2022-23 (including applicable surcharge and cess); and</p>	Particulars		Rs.	Items debited to statement of profit and loss:			(i)	Provision for the loss of subsidiary	2,00,000	(ii)	Provision for Doubtful Debts	1,50,000	(iii)	Provision for Income-tax	3,00,000	(iv)	Provision for Gratuity (based on actuarial valuation Rs. 5 lakhs)	7,00,000	(v)	Depreciation (including Rs. 1,60,000 on account of revaluation of fixed assets)	5,60,000	(vi)	Interest to financial institution (unpaid till filing of return)	2,50,000	(vii)	Penalty for infraction of law	60,000	Items credited to statement of profit and loss:			(i)	Royalty in respect of patent (chargeable to tax under section 115BBF)	6,00,000	(ii)	Share income as partner in a firm	1,20,000	(iii)	Agricultural income	75,000	(iv)	Long term capital gains on sale of vacant land	4,00,000	4+2+2
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		c. tax credit eligible for carry forward by the company (including applicable surcharge and cess).																																																																																								
		<p><b>Type your answer here</b></p> <p>a. Book Profits under section 115JB of the Income-tax Act =Rs. 22,15,000</p> <p>b. Tax on Book Profits under section 115JB of the Income-tax Act Rs. 3,45,540</p> <p>c. Tax credit eligible for carry forward by the company =Rs. 1,61,070</p> <p><b>ROUGH WORK</b></p> <table><tr><th>Particulars</th><th>Rs.</th><th>Rs.</th></tr><tr><td>Tax Liability on Book Profits as per section 115 JB:</td><td></td><td></td></tr><tr><td>Book Profit as per section 115 JB</td><td>22,15,000</td><td></td></tr><tr><td>Tax liability</td><td></td><td>3,45,540</td></tr><tr><td>Tax Liability on regular computation:</td><td></td><td></td></tr><tr><td>On income other than royalty income</td><td>1,22,070</td><td></td></tr><tr><td>On Royalty Income of Rs. 6,00,000 u/s 115 BBF</td><td>62,400</td><td></td></tr><tr><td></td><td></td><td>1,84,470</td></tr><tr><td>Eligible Tax Credit u/s 115 JAA</td><td></td><td>1,61,070</td></tr><tr><td></td><td></td><td></td></tr></table> <p><b>Working Notes:</b></p> <p><b>Computation of Book Profit of S Textiles P Ltd. as per section 115 JB</b></p> <table><tr><th>Particulars</th><th>Rs.</th><th>Rs.</th></tr><tr><td>Net Profit as per Profit &amp; Loss Account</td><td></td><td>20,00,000</td></tr><tr><td></td><td></td><td></td></tr><tr><td>Provision for the loss of subsidiary</td><td>2,00,000</td><td>2,00,000</td></tr><tr><td>Provision for Doubtful Debts</td><td>1,50,000</td><td>1,50,000</td></tr><tr><td>Provision for Income-tax</td><td>3,00,000</td><td>3,00,000</td></tr><tr><td>Provision for Gratuity (based on actuarial valuation Rs. 5 lakhs)</td><td>7,00,000</td><td>2,00,000</td></tr><tr><td>Depreciation (including Rs. 1,60,000 on account of revaluation of fixed assets)</td><td>5,60,000</td><td>1,60,000</td></tr><tr><td>Interest to financial institution (unpaid till filing of return)</td><td>2,50,000</td><td>NIL</td></tr><tr><td>Penalty for infraction of law</td><td>60,000</td><td>NIL</td></tr><tr><td>Royalty in respect of patent (chargeable to tax under section 115BBF)</td><td>6,00,000</td><td>(6,00,000)</td></tr><tr><td>Share income as partner in a firm</td><td>1,20,000</td><td>(1,20,000)</td></tr><tr><td>Agricultural income</td><td>75,000</td><td>(75,000)</td></tr><tr><td>Long term capital gains on sale of vacant land</td><td>4,00,000</td><td></td></tr><tr><td>Depreciation as per Income-tax Rules is Rs. 2,80,000</td><td>2,80,000</td><td>No impact</td></tr><tr><td></td><td></td><td></td></tr><tr><td>Book Profit as per section 115 JB</td><td></td><td>22,15,000</td></tr><tr><td></td><td></td><td></td></tr><tr><td>Tax Liability on Book Profits as per section 115 JB</td><td></td><td>3,45,540</td></tr></table>	Particulars	Rs.	Rs.	Tax Liability on Book Profits as per section 115 JB:			Book Profit as per section 115 JB	22,15,000		Tax liability		3,45,540	Tax Liability on regular computation:			On income other than royalty income	1,22,070		On Royalty Income of Rs. 6,00,000 u/s 115 BBF	62,400				1,84,470	Eligible Tax Credit u/s 115 JAA		1,61,070				Particulars	Rs.	Rs.	Net Profit as per Profit & Loss Account		20,00,000				Provision for the loss of subsidiary	2,00,000	2,00,000	Provision for Doubtful Debts	1,50,000	1,50,000	Provision for Income-tax	3,00,000	3,00,000	Provision for Gratuity (based on actuarial valuation Rs. 5 lakhs)	7,00,000	2,00,000	Depreciation (including Rs. 1,60,000 on account of revaluation of fixed assets)	5,60,000	1,60,000	Interest to financial institution (unpaid till filing of return)	2,50,000	NIL	Penalty for infraction of law	60,000	NIL	Royalty in respect of patent (chargeable to tax under section 115BBF)	6,00,000	(6,00,000)	Share income as partner in a firm	1,20,000	(1,20,000)	Agricultural income	75,000	(75,000)	Long term capital gains on sale of vacant land	4,00,000		Depreciation as per Income-tax Rules is Rs. 2,80,000	2,80,000	No impact				Book Profit as per section 115 JB		22,15,000				Tax Liability on Book Profits as per section 115 JB		3,45,540	
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On Computed Income of Rs. 1,22,07038									
	b.	B Ltd., discarded certain number of assets forming part of a block of assets during the previous year 2021-22. The Assessing Officer has disallowed the depreciation pertaining to such discarded assets. Discuss using the existing case law whether such disallowance of depreciation is justifiable or not.	4						
		<p><b>Type your answer here</b></p> <p>The issue under consideration is whether disallowance of depreciation made by the AO in arriving at the WDV of the block of asset, with regard to the discarded asset is justified.</p> <p>One of the conditions for claim depreciation u/s 32 is that the eligible asset must have been put to use for the purpose of business or profession.</p> <p>The other aspect to considered is whether merely discarding an obsolete machinery, which is physically available, will attract the expression “moneys payable” appearing in section 43(6), so as to deduct its value from the WDV of the block.</p> <p>The expression “used for the purposes of the business” in section 32 when used with respect to discarded machinery would mean the use in the business, not only in the relevant financial year/previous year, but also in the earlier financial yearRs.</p> <p>The discarded machinery may not be actually used in the relevant previous year but depreciation can be claimed as long as it was used for the purposes of business in the earlier years provided the block continues to exist in the relevant previous year.</p> <p>Therefore, the condition for claiming depreciation in respect of the discarded machine would be satisfied if it was used in the earlier previous years for the business.</p> <p>Coming to the issue of “moneys payable” as per section 43(6), the machinery has not been sold as machinery or scrap or disposed off, and it continues to exist. Hence it will not form part of “moneys payable”, which alone is deductible while computing the WDV of the block to which it belongs.</p> <p>The disallowance by the AO is hence not tenable in law.</p> <p>Such a view was taken in the case of CIT v. Yamaha Motor India Pvt. Ltd, (2010) 328 ITR 297 (Del).</p>							
8.		You are required write Short Notes on any 4 out of 5 questions.	4 X 3 = 12						
	a.	Tax Avoidance and Tax Evasion							
		<p><b>Type your answer here</b></p> <table><tr><th>Tax avoidance</th><th>Tax evasion</th></tr><tr><td>It is termed as a tools to reduce tax burdens taking the script of the law instead of the spirit of law.</td><td>Methods adopted illegally to avoid payment of tax liability. Suppression of Income, Inflation of expenditure are some of the attempts to reduce or negate tax liability.</td></tr><tr><td>It defeats the basic intention of law.</td><td>It is totally against the law.</td></tr></table>	Tax avoidance	Tax evasion	It is termed as a tools to reduce tax burdens taking the script of the law instead of the spirit of law.	Methods adopted illegally to avoid payment of tax liability. Suppression of Income, Inflation of expenditure are some of the attempts to reduce or negate tax liability.	It defeats the basic intention of law.	It is totally against the law.	
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It has legal sanction.	As it is unlawful, punishable under relevant law.								
	b.	Secondary adjustment							
		<p><b>Type your answer here</b></p> <p>“Secondary adjustment” means an adjustment in the books of account of the assessee and its associated enterprise to reflect that the actual allocation of profits between the assessee and its associated enterprise are consistent with the transfer price determined as a result of primary adjustment, thereby removing the imbalance between cash account and actual profit of the assessee.</p>							
	c.	Memorandum of Cross Objection							
		<p><b>Type your answer here</b></p> <p>On filing of the appeal to the ITAT by the taxpayer or by the Assessing Officer (as the case may be) the opposite party will be intimated about the appeal and the opposite party has to file a memorandum of cross objection with the ITAT. The memorandum of cross objection is to be filed within a period of 30 days of receipt of notice. The memorandum of cross objection is to be filed in Form No. 36A. There is no fee for filing the memorandum of cross objection. The ITAT may accept a memorandum of cross objection even after the period of 30 days if it is satisfied that there was sufficient cause for not submitting the same within the prescribed time.</p>							
	d.	Methods of computation of arm’s length price u/s 92F							
		<p><b>Type your answer here</b></p> <p>As per sec. 92F(ii), Arm's length price means</p> <p>(i) a price which is applied or proposed to be applied in a transaction</p> <p>(ii) between persons other than associated enterprises (i.e., unrelated person, resident or non-resident),</p> <p>(iii) in uncontrolled conditions.</p> <p>The arm's length price in relation to an international transaction or specified domestic transaction shall be determined by any of the following methods, being the most appropriate method, having regard to the nature of transaction or class of transaction or class of associated persons or functions performed by such persons or such other relevant factors as the Board may prescribe, namely:</p> <p><u>Transaction Based Methods</u></p> <p>a. comparable uncontrolled price method;</p>							



		<div><div><div>b. resale price method;</div><div>c. cost plus method;</div><div>Profit Based Methods</div><div>d. profit split method;</div><div>e. transactional net margin method;</div><div>f. such other method as may be prescribed by the Board.</div></div><div>The most appropriate method shall be applied, for determination of arm's length price, in the manner as may be prescribed.</div><div>More than one arm's length price: Where more than one price is determined by the most appropriate method, the arm's length price shall be computed in such manner as may be prescribed.</div></div>									
	e.	Powers of Commissioner (Appeals)									
		<div>Type your answer here</div> <div>Power of CIT (Appeals) are enumerated below:</div> <table><tr><td>1. Against an order of assessment</td><td>To confirm, reduce, enhance or annul the assessment</td></tr><tr><td>2. Against an order imposing a penalty</td><td>To confirm or cancel such order or vary it so as either to enhance or to reduce the penalty;</td></tr><tr><td>3. Against the order of assessment in respect of which the proceeding before the Settlement Commission abates u/s 245HA</td><td>To confirm, reduce, enhance or annul the assessment after taking into consideration all the material and other information produced by the assessee before, or the results of the inquiry held or evidence recorded by, the Settlement Commission, in the course of the proceeding before it and such other material as may be brought on his record</td></tr><tr><td>4. Relating to any other case</td><td>To pass such orders as he thinks fit.</td></tr></table>	1. Against an order of assessment	To confirm, reduce, enhance or annul the assessment	2. Against an order imposing a penalty	To confirm or cancel such order or vary it so as either to enhance or to reduce the penalty;	3. Against the order of assessment in respect of which the proceeding before the Settlement Commission abates u/s 245HA	To confirm, reduce, enhance or annul the assessment after taking into consideration all the material and other information produced by the assessee before, or the results of the inquiry held or evidence recorded by, the Settlement Commission, in the course of the proceeding before it and such other material as may be brought on his record	4. Relating to any other case	To pass such orders as he thinks fit.	
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Section D			12 X 1								
You are required to answer all the questions in this section			= 12								
Instructions: Each question is followed by a space where you are required to type your answer.			Marks								

9.	<p>PQR Co. Ltd. is a company engaged in manufacturing chemicals in Mumbai. These chemicals are principally utilised by pharmaceutical companies in their various stages of production. Initially when the company started, it was impossible to find a space for itself, since there was stiff competition.</p> <p>It started out by deep discounting their products. They never compromised on quality, which led to initial losses in the early years but soon it was able to earn goodwill among the trading companies.</p> <p>Now their business has expanded beyond Maharashtra.</p> <p>Recently the company reported a Net Profit of Rs. 15 lakhs for the year ended 31.03.2022.</p> <p>The company is responsible towards its society and citizens.</p> <p>It regularly contributes to various research organisations.</p> <p>Every year they contributed to CSR activities towards education and alleviation of poverty.</p> <p>They are also associated with Dalmia Research Centre Ltd. which is engaged in approved scientific research.</p> <p>The below said items are debited/credited to statement of profit and loss.</p> <ul style="list-style-type: none"> <li>(i) CSR expenditure incurred during the year Rs. 5 lakhs.</li> <li>(ii) Non-compete fee paid to DEF Ltd. for not marketing their products in North-Eastern States for Rs. 10 lakhs. The incomplete agreement bars DEF Ltd. for a period of 5 years ending 31.03.2027. No tax was deducted at source on the said payment.</li> <li>(iii) A building was constructed on the leasehold land for Rs. 30 lakhs and it was completed on 30.11.2021. The lease agreement is for 3 years and after the lease period, the building must be handed over to the lessor.</li> <li>(iv) The company during the year paid donation of Rs. 1 lakh to Dalmia Research Centre Ltd. which is engaged in approved scientific research.</li> <li>(v) The company introduced VRS scheme during the financial year 2018-19 and paid Rs. 60 lakhs as VRS compensation. The company transferred the entire unamortized amount of Rs. 24 lakhs to statement of profit and loss.</li> <li>(vi) Paid Rs. 2 lakhs to Registrar of Companies as fee for issue of bonus shares.</li> <li>(vii) It incurred Rs. 25 lakhs towards feasibility study for new product manufacture which eventually was aborted.</li> <li>(viii) Cost of EPABX and mobile phones acquired on 01.06.2021 for use by executives worth Rs. 10 lakhs upon which depreciation @ 60% was charged in the books.</li> <li>(ix) Compounding fee paid for violation of municipal laws in construction of buildings Rs. 1,20,000.</li> <li>(x) Depreciation debited Rs. 24,60,000.</li> <li>(xi) Royalty from patent developed by the company credited to Statement of profit and loss Rs. 22 lakhs.</li> <li>(xii) Dividend received from foreign company in which the assessee company holds 26% shares Rs. 8 lakhs.</li> </ul> <p>Additional Information available: Eligible depreciation Rs. 32,30,000 under section 32 without considering item (iii) and (viii) given above. Ignore MAT provision.</p>	
a.	Determine the Profits and Gains from Business and Profession (excluding royalty income) of PQR Co. Ltd. for the AY 2022-23 assuming MAT is not applicable.	6
	<b>Type your answer here :</b>	

Profits and Gains from Business and Profession =Rs. 56,50,000

### ROUGH WORK

Computation of Profits and Gains from Business or Profession of PQR Co. Ltd. for the AY 2022-23

Particulars	Rs.
Net Profit as per Statement of Profit and Loss	15,00,000
CSR expenditure	5,00,000
Non-compete fee	3,00,000
Cost of Construction of Building on leasehold land and related depreciation, if any	28,50,000
Donation to Dalmia Research Centre	NIL
Transfer of Unamortized portion of expenditure on VRS Compensation	12,00,000
Amount paid to ROC as fee for issue of bonus shares	NIL
Expenditure towards feasibility study for development of new product manufacture eventually aborted	25,00,000
Depreciation on Cost of EPABX and mobile phones of Rs. 10,00,000	4,50,000
Compounding fee paid for violation of local laws	1,20,000
Depreciation debited in the books	24,60,000
Royalty from patent	(22,00,000)
Dividend from foreign companies	(8,00,000)
Depreciation eligible under section 32	(32,30,000)
Profits and Gains from Business and Profession	56,50,000

### Working Notes:

- (1) CSR expenditure debited, not deductible in view of Explanation 2 to section 37
- (2) Donation to scientific research company eligible for deduction @ 100% only. As the amount is already debited no adjustment is required. [Section 35(1)(ia)]
- (3) VRS Compensation to be amortized in 5 annual instalments as per section 35DDA. The unamortized amount is Rs.24 lakhs of which Rs.12 lakhs is deductible in assessment year 2021-22 and balance Rs.12 lakhs in assessment year 2022-23. As the full amount has been debited to Statement and profit and loss, the excess Rs.12 lakh is added back.
- (4) Amount paid to ROC as fee for issue of bonus shares is deductible expenditure as the payment does not create any asset or increase in capital base
- (5) Expenditure towards feasibility study for new product manufacture which eventually was aborted has no connection to the present business and hence it is a capital expenditure to be disallowed.
- (6) Depreciation on the cost of EPABX and mobile phones debited to Statement of Profit and Loss @ 60% is Rs. 6,00,000 disallowed. The allowable rate is 15% for which Rs. 1,50,000 should be charged as depreciation. Net Rs. 4,50,000 should be added back.
- (7) Compounding fee paid for violation of local laws in construction is an expenditure for violation of law hence not deductible (*Millenia Developers v. DCIT (2010) 322 ITR*)

		401(Ker). (8) Royalty from patent credited to P&L is taxable under Income from Other Sources. Hence, deducted. (9) Dividend from foreign companies is taxable under Income from Other Sources. Hence, deducted. (10)Eligible depreciation of Rs. 32,30,000 under section 32 is deducted.																			
	b.	What is the provision relating to the non-compete fees and building on lease hold land?	2																		
		<b>Type your answer here:</b> (1) Non-compete fee on which tax was not deducted at source as per section 194J and hence @ 30% to be disallowed as per section 40(a)(ia) (2) Building on leasehold land amounting to Rs. 30,00,000 debited to Statement of Profit and Loss is disallowed but eligible for depreciation @5% (since the building was put to use for less than 180 days) amounting to Rs. 1,50,000. Hence, Rs. 28,50,000 has been added back.																			
	c.	What is the total Income of PQR Co. Ltd. for the AY 2022-23 assuming MAT is not applicable?	2																		
		<b>Type your answer here:</b> <b>Total Income of PQR Co. Ltd= Rs. 86,50,000</b> <b>ROUGH WORK</b> <b>Computation of Total Income of PQR CO. Ltd. for the AY 2021-22</b> <table><tr><th>Particulars</th><th>Rs.</th></tr><tr><td>Profits and Gains from Business and Profession</td><td>56,50,000</td></tr><tr><td>Other Incomes</td><td></td></tr><tr><td>Royalty from patent developed by the company</td><td>22,00,000</td></tr><tr><td>Dividend from foreign companies</td><td>8,00,000</td></tr><tr><td></td><td></td></tr><tr><td>Total Income</td><td>86,50,000</td></tr></table>	Particulars	Rs.	Profits and Gains from Business and Profession	56,50,000	Other Incomes		Royalty from patent developed by the company	22,00,000	Dividend from foreign companies	8,00,000			Total Income	86,50,000					
Particulars	Rs.																				
Profits and Gains from Business and Profession	56,50,000																				
Other Incomes																					
Royalty from patent developed by the company	22,00,000																				
Dividend from foreign companies	8,00,000																				
Total Income	86,50,000																				
	(iii)	Determine the tax liability of PQR CO. Ltd. for the AY 2022-23 assuming MAT is not applicable.	2																		
		<b>Type your answer here:</b> <b>Tax liability of PQR CO. Ltd =Rs. 21,16,400</b> <b>ROUGH WORK</b> <b>Computation of Tax Lime of PQR CO. Ltd. for the AY 2022-23</b> <table><tr><th>Particulars</th><th>Computation</th><th>Rs.</th></tr><tr><td>Tax on Profits and Gains from Business and Profession</td><td>30% on Rs. 56,50,000</td><td>16,95,000</td></tr><tr><td>Tax on Other Incomes</td><td></td><td></td></tr><tr><td>Tax on Royalty from patent</td><td>10% on Rs. 22,00,000</td><td>2,20,000</td></tr><tr><td>Tax on Dividend Income from foreign company</td><td>15% on Rs. 8,00,000</td><td>1,20,000</td></tr><tr><td></td><td></td><td>20,35,000</td></tr></table>	Particulars	Computation	Rs.	Tax on Profits and Gains from Business and Profession	30% on Rs. 56,50,000	16,95,000	Tax on Other Incomes			Tax on Royalty from patent	10% on Rs. 22,00,000	2,20,000	Tax on Dividend Income from foreign company	15% on Rs. 8,00,000	1,20,000			20,35,000	
Particulars	Computation	Rs.																			
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		20,35,000																			

		<b>HEC</b>	4% on Rs. 20,35,000	81,400	
		<b>Tax Liability</b>		21,16,400	
		<b>Working Notes:</b> (1) Applicable Tax Rate on Royalty from patent developed by the company is 10% (2) Applicable Tax Rate on Dividend Income from foreign company where the company holds 26% of shares is 15%			

END